Prince Albert Municipality

Budget
Begroting
2020/21– 2022/23
Medium Term Revenue and Expenditure Framework/
Medium Termyn Inkomste- en Uitgaweraamwerk

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Glossary

Original budget - Prescribed in Section 28 of the MFMA. The formal manner in which a municipality can revise its budget during the year.

Budget - The financial plan of the Municipality.

Budget-related Policy - Policy of a municipality affecting the budget or affected by the budget, such as the tariff policy, rates policy and credit control and debt collection policy.

Capital expenditure – Expenditure on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

Cash flow statement -A statement showing when actual cash is to be received and spent by the Municipality. Cash payments do not always correspond with budgeted expenditure frameworks. For example, when an invoice is received by the Municipality, it is regarded as expenditure in the month; even it is not paid within the same period.

DORA - Distribution of Revenue Act. Annual legislation containing the total allocations by national government to provincial and local governments.

Equitable share - A general allocation paid to municipalities. It is mainly aimed at rendering assistance with free basic services.

Fruitless and wasteful expenditure - Expenditure done in vain and that could have been avoided if reasonable care was exercised.

GFS - Government Finance Statistics. An internationally recognised classification system making a type by type comparison between municipalities.

Grants - Money received from Provincial or National Government and other municipalities.

GRAP - Generally Recognised Accounting Policy. The new standard for municipal accounting.

IDP - Integrated Development Plan. The main strategic planning document of the Municipality.

KPI's - Key Performance Indicators. Measurement of service outputs and/or outputs.

MFMA - The Municipal Financial Management Act – No. 53 of 2003. The main legislation applicable to municipal financial management.

MTREF – Medium term Revenue and Expenditure Framework. A Medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budgetary allocations. Also includes details of the financial position of the preceding and current year.

Nett Assets –Nett assets are the residual interest in the assets of the entity after all its liabilities have been deducted. This means that the net assets of the municipality equal the "net welfare" of the municipality, after all assets had been sold/recovered and all liabilities had been paid. Transactions that do not fall under the description of Revenue or Expenditure, such as increase in the value of Property, Plant and Equipment, where no in- or outflow of resources occurs, are recorded under Nett Assets.

Operational expenditure – Expenditure on the day-to-day expenses of the Municipality, such as salaries and wages.

Property rates – Local authority rates based on the assessed value of a property. In order to calculate the rates payable, the assessed value is multiplied by the rate in the rand.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan consisting of quarterly performance targets and monthly budget estimates.

Strategic Objectives – The main priorities of the Municipality as set out in the IDP. Budgeted expenditure must contribute to the achievement of the strategic objectives.

Unauthorised expenditure – In general, expenditure without, or in excess of an approved budget.

Virement – A budget transfer.

Vote – One of the main segments of a budget.

PART 1 – ANNUAL BUDGET

Section 1 – Mayoral Report

In terms of section 16 (2) of the Municipal Financial Management Act (Act 56 of 2003), it is my privilege to table the 2019/20 to 2021/22 Medium term Revenue and Expenditure Framework (MTREF) to Council.

As this budget constitutes the proposed financial plan for the next 3 years, it naturally impacts on the community as a whole and it is thus extremely important to consult the community in a bid to create awareness and to gain support for joint ownership and responsibility in managing the municipality's financial affairs. Consequently, a compulsory period of community liaison shall follow before the final approval of this budget before the end of May 2019. Inputs and representations shall be considered after which consideration will be given in line with Section 23 of the MFMA whether the draft budget needs to be revised and amended.

Council's strategic objectives of service delivery include the continuation of an acceptable level of services, as well as improvement in those areas still in need of development. It remains a priority of the council to contain service delivery within the affordability levels.

Strategic objectives were developed for each focus area that are specifically linked to the multi-year budgets and is given effect to in the Service Delivery and Budget Implementation Plan. The municipality has also ensured that there is a distinction between municipal functions and those of other spheres of government.

To achieve the above, a balancing act is required between the set objectives and available financial resources, while taking into consideration the effect of tariff adjustments on the community as a whole, and more particularly the needs of the poor and vulnerable.

In addition, like as in the rest of the country we have not escaped the downturn in the economy, which has had a considerable influence to not only disposable income levels in our area, but has further lowered the level of unemployment and growth prospects. The effects of continuously rising costs in inputs such as fuel and electricity amongst other with the resultant multiplier effect on our expenditure (outflow of cash) requirements, have culminated in increased costs to provide basic and community services, making the achievement of the service delivery objectives so much more difficult and an even greater challenge.

Taking all of the above into consideration, I submit to you the following estimated expenditure summarised as follows:

TYPE	**2020/21 (000)**	**2021/22 (000)**	**2022/23 (000)**
Operating expenditure	69 345	71 749	76 399
Capital expenditure	12 770	9 056	6 600

The increases in tariffs and service charges, in the main are influenced by the following, but not limited to the items below, over which council has little or no control:

- ***No Salary increases due to the COVID 19 pandemic. The reason for no increases is to accommodate for the potential loss on revenue collections.***
- ***The proposed increase of around 6.2% in Eskom's bulk purchase price for electricity.***
- ***Compulsory statutory provisions for devaluation of assets, bad debt, and sufficient GRAP provision for post-employment medical contributions and long service awards.***
- ***Service delivery challenges.***
- ***Maintenance.***
- ***The socio-economic conditions and consumer profiles of communities.***

Section 2 – Budget Related Resolutions

MTREF 2020/21 to 2022/23

The below-mentioned resolutions shall be approved by Council upon the final adoption of the budget:

RESOLUTION:

1. That the annual operating budget of Prince Albert Municipality for the 2020/21 financial year; and the indicative two projected outer years, 2021/22 and 2022/23, as contained in the annexures in Section 4, be approved.
2. That the annual capital budget of Prince Albert Municipality for the 2020/21 financial year; and the indicative two projected outer years, 2021/22 and 2022/23, as contained in the annexures in Section 4, be approved.
3. That the supporting tables relating to the budget of Prince Albert Municipality for the 2020/21 financial year; and the indicative two projected outer years, 2021/22 and 2022/23, as contained in the annexures in Section 4, be approved.
4. Property tax rates indicated in Annexure A are approved for the 2020/21 budget year.
5. Tariffs, levies and other charges as per the tariff listing indicated in Annexure A are approved for the 2020/21 budget year.
6. Council notes and approve the reviewed and/or revised budget and related policies as set out in Section 8.

Section 3 – Executive Summary

Introduction

The annual budget and capital budget of Prince Albert Municipality for the financial year 2020/21 and the 2 indicative outer years 2021/22 and 2022/23 are hereby tabled as envisaged by the applicable legislation and regulations:

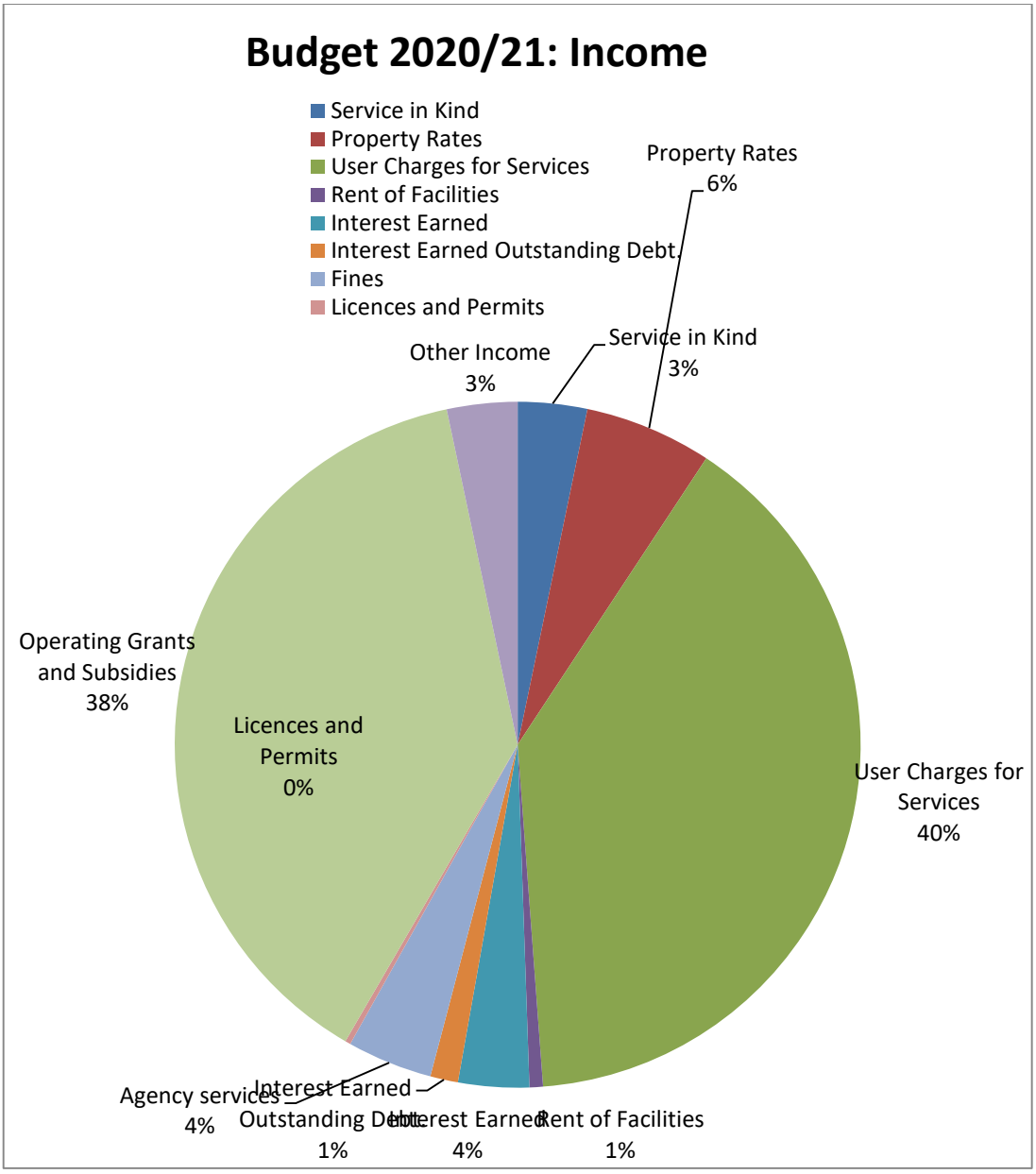
- MFMA (Act 56 of 2003)
- The Division of Revenue Act, and Provincial Budget announcements
- Budget & Reporting Regulations 393 of 2009
- Sections 215 & 216 of the Constitution
- The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003
- Councils budget related policies

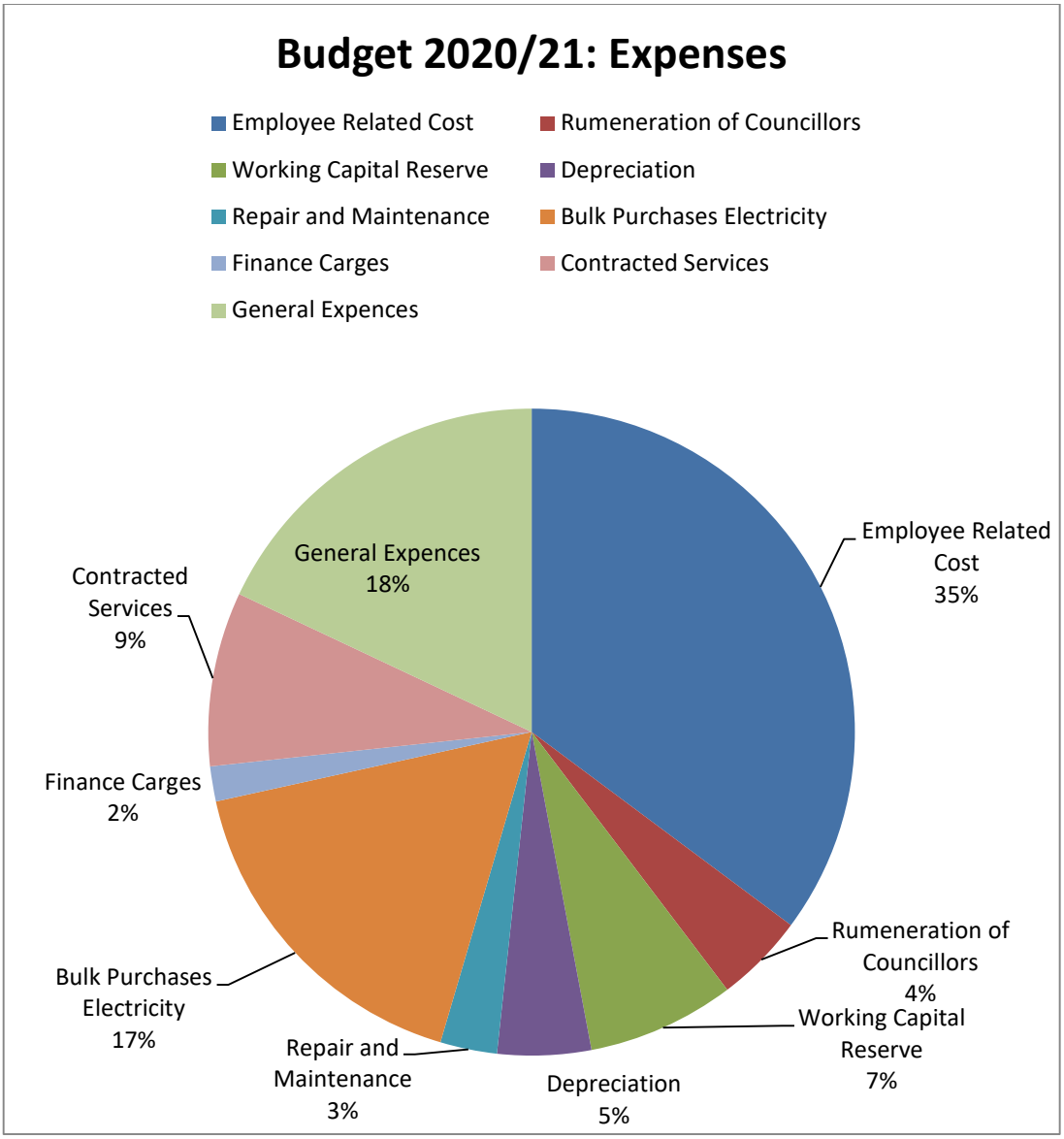
Proposed 3-year budget

The projected estimates for the MTREF are as follows: (R '000)

OPERATING BUDGET

Type	**2020/21 (R '000)**	**2021/22 (R '000)**	**2022/23 (R '000)**
Revenue	69 353	71 859	76 483
Expenditure	69 345	71 749	76 399
Capital transfers	14 104	10 392	9 558
Surplus	4 890	110 106	83 784


Budget 2020/21: Income
Service in Kind
Property Rates
User Charges for Services
Rent of Facilities
Interest Earned
Interest Earned Outstanding Debt
Fines
Licences and Permits
Property Rates 6%
Service in Kind 3%
Other Income 3%
Operating Grants and Subsidies 38%
Licences and Permits 0%
User Charges for Services 40%
Agency services 4%
Interest Earned Outstanding Debt 1%
Interest Earned 4%
Rent of Facilities 1%


Budget 2020/21: Expenses
Employee Related Cost
Rumeneration of Councillors
Working Capital Reserve
Depreciation
Repair and Maintenance
Bulk Purchases Electricity
Finance Carges
Contracted Services
General Expences
Employee Related Cost 35%
Rumeneration of Councillors 4%
Working Capital Reserve 7%
Depreciation 5%
Repair and Maintenance 3%
Bulk Purchases Electricity 17%
Finance Carges 2%
Contracted Services 9%
General Expences 18%

Tariff increases are inevitable given the cost of services and input costs, but more importantly to ensure that main services are cost reflective and that the main services are delivered on a sustainable basis as envisaged by the Constitution of SA and therefore the proposed main average tariff adjustments were modelled and calculated as follows:

Property tax rates:	7.5%
Refuse removal:	12.0%
Sewage:	8%
Water units:	7.5%
Electricity units:	6.9%
Other Sundry Tariffs/Charges	As per tariff listing

The municipality should have calculated the tariffs using the P3 tariff model, but that would have caused tariffs to increase by 30% to 50% which given the socio-economic profile of the customer base would have not been collectable.

The financial resources to fund the Operational Budget will and must consist of realistically anticipated revenue generated from property taxes, service charges and other income. We were however mindful of estimated headline inflation for 2020/21 of around 4.5%, forming the basis of the extensive income modelling exercise, having cognisance of the principles of economical services being cost reflective, trading services generating surpluses, the effect of escalating salary costs and bulk purchases. The latter amongst other, formed the basis of what was required to deliver sustainable services at appropriate levels to our communities, the financial requirements to service infrastructure assets balanced against realistic and affordable tariffs (anticipated revenue).

A further constraint on the already tight resource envelope is the ability of all consumers to pay for services rendered as the high unemployment rate and effects of slow economic growth are felt throughout the community of the Greater Prince Albert Area. The situation requires extraordinary effort from local government practitioners and politicians in guiding strategic decision-making and managing our limited resources smarter and investigating and expanding on other financial resources.

By strict enforcement and execution of the credit control policy, together with an understanding of the prevailing economic climate, Council aims to maintain payment rate of at least 70% to meet Council's financial and constitutional obligations.

The priorities identified during the IDP process can only be funded within the financial resource envelope and the affordability levels of our community.

The Municipality's budget must be viewed in the context of policy and financial priorities of the National, Provincial and district authorities. Basically, the government spheres are partners in fulfilling the service delivery challenges experienced in the Prince Albert Area. It is therefore critical that the other government spheres support the municipality by direct allocation of resources and subsidies to enable the municipality to maintain and achieve the long-term capital infrastructure needs of the community.

Whilst the MTREF 2020/21-2022/23 budget is cash backed, a lot of work and challenges remain to put the municipality on a path of financial sustainability. Whilst considerable effort was exercised to limit expenditure to the absolute essentials, it must be noted that further cuts in expenditure will affect the level and quality of service delivery.

The community should however prepare and plan for above inflation increases for at least sanitation and solid waste tariffs over at least the foreseeable future due to the fact that these services were rendered at a loss year-on year. We appreciate the tolerance and patience of our needy communities.

The National Context

South Africa has achieved considerable success in achieving macro-economic stability; but the economy is still struggling under the high levels of unemployment, poverty and growth.

National Treasury issued budget circular numbers 71 and 99 in which they inform municipalities on the budget parameters within which municipalities must work when drafting their budgets.

While the South African economy is in a gradual recovery phase, the effects of the economic challenges (slow growth) experienced over the past three years still affects and continue to place pressure on the finances of the average consumer (levels of disposable income and savings). The multiplier effect of this pressure is that it typically results in greater difficulties for the municipality with regard to revenue collection, which directly affects not only the municipality's ability to deliver services, but also to budget accurately for such service delivery over the short to medium term

CONCLUSION

Although the operating budget reflects a surplus of R 894.00, it is critical to take cognisance of the fact that the main contributor to this positive position, is the government transfers emanating from and to capital renewal and represents an accounting entry only.

The capital grants income/receipts is the funding source to finance capital expenditure and it already forms part of the total capital expenditure finance resources.

Section 4 – Budget Tables

The following budget tables can be found in Annexure A:

Table A1 - Budget Summary

Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A4 - Budgeted Financial Performance (revenue and expenditure)

Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding

Table A6 - Budgeted Financial Position

Table A7 - Budgeted Cash Flows

Table A8 - Cash backed reserves/accumulated surplus reconciliation

Table A9 - Asset Management

Table A10 - Basic service delivery measurement

Supporting Table SA1 –SA37

PART 2 – SUPPORTING DOCUMENTATION

Section 5 – Overview of annual budget process

Budget process overview

Political overview of the budget process

Section 53 of the MFMA stipulates that the Mayor should exercise general political guidance over the budgeting process and must direct the drafting of the budget.

Schedule of Key Deadlines in respect of the budget process [MFMA section 21(1)(b)]

The Act provides that the formal budget process must commence with the tabling by the Mayor in Council by way of a schedule setting out the key budget deadlines. This was compiled and approved by Council.

Process followed to integrate the revision of the IDP and drafting of the budget

The budgeting process was integrated with the IDP during the IDP revision mechanism. The outcome of the consultation upon the IDP revision is taken into consideration in the budgeting process.

Process for tabling of the budget before Council for consultation

A statutory period of consultation preceded the tabling of the budget before Council on 31 May 2020. Meetings with the local community shall be advertised in the local press after tabling of the draft budget.

The Executive Mayor shall consider the outcomes of these consultation meetings and a report in which the reactions are set out shall be tabled at the same meeting where the budget is to be tabled for final approval.

Process for approval of the budget

The budget must be approved by Council by 31 May 2020.

Process and media used to provide information on the budget to the community

All budget documentation, the MTREF, as well as tariffs and policies, shall be available at Council libraries and offices for perusal. It shall also be available on Council's website.

Advertisements informing the public about the availability of these documents and the schedules for the public hearings on the IDP and the Budget shall be published in all local papers and be put up at municipal offices and libraries.

Budget process 2020/21

The budget process in Prince Albert complies with the requirements of the MFMA.

A schedule of key deadlines was compiled for tabling before Council by the Mayor before the end of August 2019.

The proposed budget must be tabled before Council by 31 March 2020. This is followed by a period of consultation. After the consultation process, the Mayor needs to consider any representations and decide whether any amendments need to be made to the budget as envisaged by section 23 of the MFMA.

The final budget must be agreed upon by Council before the end of May 2020.

The Municipality's budget was once again drafted on a 3-year basis. It takes the National and Provincial 3-year allocations to the Municipality into account. It is therefore necessary to plan and budget on a 3-year basis in order to take account of resource restrictions as well as capacity restrictions in respect of service delivery. The MFMA requires that municipalities draft 3-year budgets to ensure more thorough financial planning and to make provision for seamless service delivery.

As was the case last year, however, both capital and operating revenue and expenditure figures in the outer years in the current uncertain economic climate are indicators of service needs and not actual figures.

The municipality shall set out measurable performance objectives to link the financial inputs of the budget with service delivery on the ground. This shall be done in the form of quarterly service targets and monthly financial targets contained in the Service Delivery and Budget Implementation Plan (SDBIP). This must be agreed upon by the Mayor within 28 days after agreement on the final budget and forms the basis for the Municipality's monitoring and management tool during the next year.

Section 6 - Overview of alignment of annual budget with IDP

See supporting table SA4 – 6 (Annexure A)

Section 7 – Measurable performance objectives and indicators

See supporting table SA7 (Annexure A)

Section 8 – Overview of budget-related policies

As per the budgeting and reporting regulations the municipality is required to have the following policies:

(a) the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;

(b) the rates policy which the municipality must adopt in terms of section 3 of the Municipal Property Rates Act;

(c) the credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

(d) the cash management and investment policy which the municipality must adopt in terms of section 13(2) of the Act;

(e) a borrowing policy which must comply with Chapter 6 of the Act;

(f) a funding and reserves policy;

(g) a policy related to the long-term financial plan;

(h) the supply chain management policy which the municipality is required to adopt in terms of section 111 of the Act;

(i) any policies dealing with the management and disposal of assets;

(j) any policies dealing with infrastructure investment and capital projects, including

(i) the policy governing the planning and approval of capital projects; and (*Included in asset management policy)*

(ii) the policy on developer contributions for property developments;

(k) the indigents policy of the municipality;

(l) any policies related to the provision of free basic services;(*Included in tariff and indigent polices)*

(m) any policies related to budget implementation and monitoring including:

(i) a policy dealing with the shifting of funds within votes;

(ii) a policy dealing with the introduction of adjustments budgets;

(iii) policies dealing with unforeseen and unavoidable expenditure;

(iv) policies dealing with management and oversight; *(i to iv included in the budget policy)*

(n) any policies related to managing electricity and water including:

(i) a policy related to the management of losses: and

(ii) a policy to promote conservation and efficiency; *(included in tariff policy)*

(o) any policies relating to personnel including policies on overtime, vacancies and temporary staff; *(only recruitment policy overtime etc is governed by law and collective bargaining agreements)*

(p) any policies dealing with municipal entities, including:

(The municipality does not have any entities)

The policies were reviewed and tabled in council with the budget.

Section 9 – Overview of budget assumptions

Budget assumptions

Budgets are drafted in uncertain conditions. In order to develop credible and responsive budgets, assumptions must be made about internal and external factors that may affect the budget. This Section offers a detailed summary of the assumptions used in drafting the budget.

***External Factors*:**

There is no real growth in the municipal area, and the only growth in the number of households relate to the building of RDP housing and the servicing of erven for those on the housing backlog waiting list which does not add to the revenue or tax base.

Job opportunities are limited as a result of limited or no growth, and the National budget has identified job creation as a priority and suggested that municipal capital and maintenance projects should assist in this by implementing labour-intensive projects within municipality's financial resource envelope.

The ongoing draughts has led to an increase in unemployment which in turn increased the indigent percentage to 38%. The percentage represent the number of households that are dependent on the municipality's waiver of service charges as well as annual tax levies.

The inflationary indexes made available by National Treasury could not be used in all instances as the guiding factor for increases in the tariffs. The impact of increases in petroleum, water costs, personnel costs and electricity costs to the municipality should not be underestimated and cannot necessarily be controlled by the municipality.

The agriculture, forestry and fishing sector made the largest contribution to GDPR and employment in the municipal area of Prince Albert. It is estimated that the economy of Prince Albert municipal economy grew by 0.2 per cent and created 30 extra jobs during the process. During the ten-year period, many of the additional employment opportunities were created in the community, social and personal services sector.

The reliance on the agriculture, forestry and fishing sector in the Prince Albert and Laingsburg municipal areas make these economies susceptible to shocks influencing the industry, such as climate change and water scarcity. Economic diversification is therefore required to make these economies more resilient.

Funding compliance

The budget will not be fully cash-backed if the current debtors' collection rate deteriorates and, in this regard, the worst-case scenario was used in the preparation of the budget. The budget is still considered credible as various revenue enhancing strategies are currently being investigated.

Section 10 – Overview of budget funding

Funding of the Budget

Section 18(1) of the MFMA determines that an annual budget can only be funded from:

- Realistically expected revenue to be collected;
- Cash-backed accumulated funds of preceding years' surpluses not earmarked for other purposes; and
- Borrowed funds, but only for the capital budget referred to in Section 17.

Compliance with this requirement effectively requires that Council 'balances' its budget by ensuring that the budgeted outflow balances with a combination of planned inflow.

A Credible Budget

A credible budget, among other things, is a budget, which:

- Only funds activities which are in line with the revised IDP and vice versa and which ensures that the IDP is realistically achievable while taking account of the financial restrictions of the municipality;
- Is achievable in respect of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are in line with current and previous audited performance outcomes and that are supported by documented evidence of future assumptions;
- Does not compromise the financial viability of the municipality (ensures that the financial position is contained within generally accepted prudent limits and that obligations can be met in the short, medium and long term); and
- Provides managers with suitable levels of delegation to enable them to fulfil their financial managerial responsibilities.

A budget sets out certain service delivery levels and accompanying financial implications. Consequently, the community must realistically expect to receive these promised service levels and to understand the accompanying financial implications. High under spending due to under collection of revenue or poor planning is a clear example of a budget that is not credible and realistic.

Furthermore, budgets tabled as early as 90 days before the start of the budget year, must remain credible and fairly close to the final approved budget.

Taking up Loans

The MFMA stipulates the conditions within which municipalities may incur short- or long-term debt.

The Act stipulates that short-term debt may be used to meet immediate cash flow needs, but that it must be fully repaid within the financial year in which it was incurred. Long term debt can only be incurred for capital expenditure or refinancing of existing long-term debt. It is however the intention of this council to not take-up loans in the next year due to the capacity of the municipality to service further capital debt.

Section 11 – Expenditure on grant allocations and grant programs

See Supporting table SA18 (Annexure A)

Section 12 – Grants and allocations made by the Municipality

Any allocations made to an external body must comply with the requirements of Section 67 of the MFMA. This provides that before any funds may be transferred to an external organisation, the Municipal Manager as accounting officer must be satisfied that the organisation or body has the capacity to fulfil the agreement and has sufficient financial management and other systems in place.

National Treasury further indicated in MFMA circular 51 that no discretionary funds may be appropriated in the budget seeing as such funds are not transparent during the consultation process.

Section 13 – Councillor and board member allowances and employee benefits

See Supporting Table SA22 and SA23 (Annexure A)

Section 14- Monthly targets for revenue, expenditure and cash flow

See Supporting Table SA25-SA30 (Annexure A)

Section 15 – Service Delivery and Budget Implementation plan

Refer Annexure B Draft Top Layer SDBIP

Section 16 – Contracts having future budgetary implications

See supporting table SA33 (Annexure A)

Section 17 – Capital expenditure details

See supporting table SA36 for detail capital budget.

Section 18 – Legislative compliance status

Municipal Financial Management Act –No 56 of 2003

The MFMA took effect on 1 July 2004. The act modernises budget and financial management practices within the overall aim of maximising the capacity of municipalities to deliver services.

The MFMA covers all aspects of municipal finances, including budget, supply chain management and financial reporting.

The various sections of the Act are being phased in according to the designated financial management capacity of municipalities. Prince Albert municipality has been designated as a medium-capacity municipality.

The MFMA forms the basis of the municipal management reforms implemented by municipalities.

The MFMA and the budget

The following explains the budget process in terms of the requirements of the MFMA. It is based on National Treasury's manual on the MFMA.

<u>The budget drafting process</u>

The Mayor must direct the budget drafting process by means of a co-ordinated cycle of events commencing at least ten months before the start of each financial year.

Overview

The MFMA requires a Council to adopt a three-year capital and operating budget taking into account and aligning with the municipality's current and future development priorities and other finance-related policy (for example relating to the provision of free basic services).

These budgets must clearly set out the revenue per source and expenditure per vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any details on loans, municipal entities, service delivery agreements, grant allocations and details of employment costs.

The budget may only be funded from reasonable estimates of revenue and cash-backed surplus funds of the previous year and loans (the latter for capital items only).

Budget drafting time schedule

The first step in the budget drafting process is to develop a time schedule of all key deadlines relating to the budget and to revise the Municipality's IDP and budget-related policy.

The budget drafting time schedule is compiled by senior management and tabled by the mayor for adoption by Council by 31 August (ten months before the start of the next budget year).

Drafting of the budget and revision of the IDP and policy

The Mayor must co-ordinate the budget drafting process and the revision of Council's IDP and budget-related policy with the assistance of the municipal manager.

The Mayor must ensure that the IDP overview constitutes an integral part of the budgeting process and that any changes to strategic priorities as contained in the IDP document are based on realistic projections of revenue and expenditure. In developing the budget, management must take into account national and provincial budgets, the national fiscal and macro-economic policy and other applicable agreements or Acts of Parliament. The Mayor must consult the relevant District Council and all other local municipalities in that district as well as the applicable provincial treasury and the national treasury in drafting the budget, and must upon request provide certain information to National Treasury and other government departments.

The drafting process should ideally take place between August and November in order that draft consolidated three-year budget proposals, IDP amendments and policy could be made available during December and January. This allows time in January, February and March for preliminary consultation and discussion of the draft budget.

Tabling of the budget

By 31 May, the mayor must submit the draft budget to Council for public release.

Publication of the budget

After submission to Council, the Municipal Manager must disclose the relevant budget documentation and submit it to the National Treasury and the relevant provincial treasury and any other state department as required.

Adoption of the annual budget

Thereafter, Council must consider the approval of the budget by 31 May and formally adopt the budget by 30 June. This offers Council a 30-day window period to review the budget several times before final approval.

Should a Council fail to approve its budget during the first meeting, the budget, or an amended copy thereof, must be reconsidered within seven days and so on until it is eventually approved - before 1 July.

As soon as the budget is approved, the Municipal Manager must place the budget on the municipality's website within five days.

BUDGET IMPLEMENTATION

Implementation management – the Service Delivery and Budget Implementation Plan (SDBIP)

The Municipal Manager must submit a draft SDBIP and draft annual performance agreement for all pertinent senior personnel to the Mayor for approval within fourteen days after approval of the budget (no later than 14 July).

A SDBIP is a detailed plan for implementation of the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The Mayor must approve the draft SDBIP within 28 days after approval of the annual budget (no later than 28 July).

This plan must then be monitored by the Mayor and it must be regularly reported on to Council.

Managing the implementation process

The municipal manager is responsible for implementing the budget and must take steps to ensure that all expenditure occurs according to the budget and that revenue and expenditure is properly monitored.

Deviation from budget estimates

In general, Council may only incur expenditure if it is in accordance with the budget, within the limits of the amounts appropriated for each budget vote – and in the case of capital expenditure, only if Council has approved the project.

Expenditure incurred outside these parameters may be regarded as unauthorised, or in some cases irregular and fruitless or wasteful. Unauthorised expenditure must be reported and could result in criminal prosecution.

Review of budget estimates – the adjustments budget

It may on occasion be necessary for Council to consider a revision of its original budget due to material and considerable changes in revenue collections, expenditure patterns, or forecasts thereof for the remaining part of the financial year.

In such cases, a municipality may adopt an adjustments budget drafted by the municipal manager, submitted to the Mayor for consideration and tabled before Council for adoption.

The adjustments budget must contain certain prescribed information, it may not result in further increases in rates and tariffs and it must contain relevant justifications and supporting material when it is approved by Council.

Requirements of the MFMA in respect of the contents of annual budgets and supporting documentation

Section 17 of the MFMA stipulates that an annual budget must be in the prescribed format and sets out what is to be included in that format. In MFMA circular 99, National Treasury offers detailed guidance on the contents of budget documentation and the supporting schedules. Prince Albert Municipality has done its utmost to comply with the circular.

DISCLOSURE REQUIREMENTS

The table below shows how Prince Albert Municipality complies with the disclosure requirements of Section 17 of the MFMA.

Requirement	**Disclosure in budget documentation**
Schedule of reasonably expected revenue for the budget year from each source of revenue	SECTION 4 (Annexure A)
Schedule indicating expenditure appropriations for the budget year under the various votes of the Municipality	SECTION 4 (Annexure A)
Schedule setting out the indicative revenue per revenue source and projected expenditure per vote for the two financial years following on the Budget year	SECTION 4(Annexure A)
Draft resolutions - (i) approval of the budget of the Municipality (ii) instituting any municipal rates and fixing any municipal tariffs as may be required for the budget year and (iii) Approval of any other matters that may be prescribed.	Section 2
Measurable performance objectives for revenue for each source and for each budget vote, taking account of the Municipality's Integrated Development Plan.	Section 7
Proposed amendment to the Municipality's integrated development plan after the annual review of the IDP in terms of Section 34 of the Municipal Systems Act	
Any prescribed information on municipal entities under the exclusive or shared control of the Municipality	N.A.
Details of all prescribed new municipal entities that the Municipality wishes to establish or which the Municipality wishes to participate in	N.A.

Details of any proposed service delivery agreements, including material amendments to existing service delivery agreements	
Details of any proposed grants or allocations by the municipality to - (i) other municipalities (ii) any municipal entities and other external mechanisms that assist the municipality in performing its functions or powers (iii) any other state organs (iv) any organisations or bodies referred to in Section 67 (1) (bodies outside die Government)	Section 12
The proposed cost to the municipality for the budget year of the salaries, allowances and benefits of - (i) each political office-bearer of the Municipality (ii) councillors of the municipality (iii) the municipal manager, the chief financial officer, any senior manager of the municipality and any other official of the municipality with a remuneration package greater or equal to that of a senior manager	Section 13
The proposed cost in the budget year for a municipal entity under the exclusive or shared control of the Municipality for the salaries, allowances and benefits of - (I) each member of the entity's board and (ii) the chief executive officer and each senior manager of the entity	N.A.

Other Legislations

In addition to the MFMA, the following legislation also impacts on the Municipal budget;

The Division of Revenue Act and Provincial Budget announcements

Three-year national allocation to local government is published annually according to municipality in the Distribution of Revenue Act. The Act imposes duties on municipalities additional to the requirements of the MFMA, specifically regarding reporting obligations.

Allocations to the Municipality from Provincial Government are announced in the Provincial budget and published.

Section 18 of the MFMA provides that annual budgets may only be funded from reasonably expected revenue to be collected. The provision in the budget for allocation of National and Provincial government must include the allocations announced in the DORA or the applicable Provincial Gazette.

The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act are closely linked with that of the MFMA. In particular, the following requirements must be considered in the budget process;

- Chapters 4 and 5 relate to community participation and the requirements for the Integrated Development Plan process.
- Performance management that links with the requirement for the budget to contain measurable performance indicators and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirements of producing a tariff policy.

Section 19 - Quality Certification by Municipal Manager

I, A Vorster, Municipal Manager of Prince Albert Municipality, hereby declares that the Original budget and supporting documentation have been drafted in accordance with the Municipal Financial Management Act and the regulations issued under this act, and that the annual budget and supporting documentation are aligned with the Integrated Development Plan of the Municipality.

Signature .....

Date: 29 May 2020